

Agency Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	26,594,024	26,418,391	(175,633)	(0.66)%
Operating Expenses	30,594,456	32,234,520	1,640,064	5.36 %
Local Assistance	1,794,921,091	1,060,282,132	(734,638,959)	(40.93)%
Grants	322,536,870	326,796,542	4,259,672	1.32 %
Transfers	28,652,140	5,466,244	(23,185,896)	(80.92)%
Debt Service	331,414	325,514	(5,900)	(1.78)%
Total Expenditures	\$2,203,629,995	\$1,451,523,343	(\$752,106,652)	(34.13)%
General Fund	1,824,467,915	1,081,459,013	(743,008,902)	(40.72)%
State/Other Special Rev. Funds	31,795,684	23,138,016	(8,657,668)	(27.23)%
Federal Spec. Rev. Funds	347,366,396	346,926,314	(440,082)	(0.13)%
Total Funds	\$2,203,629,995	\$1,451,523,343	(\$752,106,652)	(34.13)%
Total Ongoing	\$2,179,543,010	\$1,451,189,651	(\$728,353,359)	(33.42)%
Total OTO	\$24,086,985	\$333,692	(\$23,753,293)	(98.61)%

Mission Statement

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 400 school districts. The core responsibilities of the agency include licensure of educators, accreditation of schools, administration of statewide student assessments, distribution of state and federal grants/aid to schools, collection and reporting of data, and dissemination of information about K-12 education. Agency staff provide technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, academic standards and curriculum, school finance, and school law. The staff also administer a number of federally funded programs and provides a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

Agency Highlights

Office of Public Instruction Major Budget Highlights
<p>The Office of Public Instruction's 2025 biennium HB 2 budget request is approximately \$752.1 million or 34.1% lower than the 2023 biennium. This large decrease is due to an executive proposal to move general fund revenue from the 95 mills to the statutorily appropriated guarantee account, contingent on related legislation. This change has a net zero effect to the budget as a whole; it reduces HB 2 appropriations by \$866.4 million and increases statutory appropriations by the same amount.</p> <p>Without this fund switch, the Office of Public Instruction's 2025 biennium budget request would be \$114.3 million or 5.2% higher than the 2023 biennium budget. The biennial changes by program are listed below:</p> <ul style="list-style-type: none"> • A net decrease below the 2023 biennium budget, totaling approximately \$752.8 million in the Local Education Activities Program <ul style="list-style-type: none"> ◦ A decrease of \$866.4 million over the biennium to move the 95 mills to the guarantee account ◦ A net increase of \$113.5 million over the biennium for all other present law adjustments and new proposals • An increase above the 2023 biennium budget, totaling approximately \$716,000 in the State Level Activities Program <p>These changes will be discussed in detail in the State Level Activities Program and Local Education Activities Program sections below.</p>
Legislative Action Items
<ul style="list-style-type: none"> • In the 2023 biennium, certain programs (such as the Advanced Opportunities and Transformational Learning grant programs) were appropriated with a restricted designation. The legislature may wish to add this designation to these programs again • The legislature may wish to change the K-12 BASE aid increase to bring the guaranteed tax base aid (GTB) ratio adjustment from marijuana revenue in line with the HJ 2 revenue estimate • The legislature may wish to change the 95 mill transfer to the guarantee account to bring it in line with the HJ 2 revenue estimate

Agency Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	153.27	153.27	149.27	149.27
Personal Services	11,431,765	12,806,887	13,787,137	13,175,776	13,242,615
Operating Expenses	13,221,917	15,230,793	15,363,663	16,193,147	16,041,373
Local Assistance	870,486,784	875,868,585	919,052,506	506,982,728	553,299,404
Grants	148,924,335	160,602,748	161,934,122	163,316,393	163,480,149
Transfers	8,689,395	14,960,766	13,691,374	2,733,122	2,733,122
Debt Service	165,437	168,657	162,757	162,757	162,757
Total Expenditures	\$1,052,919,633	\$1,079,638,436	\$1,123,991,559	\$702,563,923	\$748,959,420
General Fund	884,693,735	891,242,610	933,225,305	518,300,069	563,158,944
State/Other Special Rev. Funds	9,076,170	14,755,667	17,040,017	10,879,078	12,258,938
Federal Spec. Rev. Funds	159,149,728	173,640,159	173,726,237	173,384,776	173,541,538
Total Funds	\$1,052,919,633	\$1,079,638,436	\$1,123,991,559	\$702,563,923	\$748,959,420
Total Ongoing	\$1,047,085,620	\$1,067,444,703	\$1,112,098,307	\$702,230,231	\$748,959,420
Total OTO	\$5,834,013	\$12,193,733	\$11,893,252	\$333,692	\$0

Agency Discussion

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Office of Public Instruction's budget for FY 2022 was comprised of general fund, state special, and federal special revenue. OPI expended 97.5% of its approximately \$1.1 billion HB 2 modified budget in FY 2022.

Local assistance authority made up the majority of OPI's HB 2 modified budget for FY 2022, at approximately \$875.9 million or 81.1%. Though OPI expended 99.4% of its local assistance authority in FY 2022, the agency still had approximately \$5.4 million in unspent authority. Income into the guarantee account (which is statutorily appropriated and not included in HB 2) came in higher than expected, which offset general fund expenditures for K-12 BASE aid. The majority of general fund appropriations for OPI are biennial, meaning they can be spent at any time over the biennium.

FY 2022 Appropriations Compared to FY 2023 Appropriations

FY 2023 total appropriations are approximately \$44.4 million or 4.1% higher than the FY 2022 total appropriation, primarily due to increases in the Local Education Activities Program. The differences will be discussed in greater detail at the program level.

LFD COMMENT

The executive is requesting \$86,000 in general fund supplemental appropriations for the State Level Activities Program in order to cover a projected shortfall in FY 2023 for the National Board Certification payments to Montana teachers. OPI reports they are anticipating payments of \$166,000 in total to 94 teachers in FY 2023 and have only \$80,000 in appropriation authority to cover those payments. This request is included in HB 3.

Comparison of FY 2023 Legislative Budget to FY 2023 Base

The figure below illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the FY 2023 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2025 biennium budgeting process.

Office of Public Instruction Comparison of the FY 2023 Legislative Budget to the FY 2023 Base Budget				
<u>Division</u>	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<u>State Level Activities</u>				
Personal Services	\$13,672,637	\$0	\$13,672,637	0.0%
Operating Expenses	14,099,533	(162,757)	13,936,776	-1.2%
Transfers	2,040,620	0	2,040,620	0.0%
Debt Service	0	162,757	162,757	100.0%
Total	\$29,812,790	\$0	\$29,812,790	0.0%
<u>Local Education Activities</u>				
Operating Expenses	\$1,413,887	(\$20,000)	\$1,393,887	-1.4%
Local Assistance	923,761,239	(4,783,733)	918,977,506	-0.5%
Grants	156,602,551	4,619,071	161,221,622	2.9%
Transfers	507,840	184,662	692,502	36.4%
Total	\$1,082,285,517	\$0	\$1,082,285,517	0.0%
Agency Total	\$1,112,098,307	\$0	\$1,112,098,307	0.0%

The Office of Public Instruction made several executive modifications to the legislative budget. In the State Level Activities Program, the change was due to a transfer of approximately \$163,000 (about \$94,000 general fund, \$1,800 state special revenue, and \$67,000 federal special revenue) from operating expenses to debt service. This change was the result of a new requirement from the Department of Administration (DOA) that lease payments be paid out of the debt service account.

In the Local Education Activities Program, the most notable changes were:

- A transfer of approximately \$4.8 million from local assistance to grants (approximately \$4.6 million) and transfers out (approximately \$185,000) in order to correctly record expenditures
- A transfer of \$20,000 from operating expenses to local assistance, due to a fiscal transfer from FY 2023 to FY 2022 to cover the 2022 payments to teachers for national board certification stipends. The appropriation was allocated to operating expenses but needed to be recorded under local assistance, which was where the fiscal transfer amount was added back into the base budget for FY 2023

Executive Request

The Office of Public Instruction's 2025 biennium HB 2 budget request is approximately \$752.1 million or 34.1% lower than the 2023 biennium. This large decrease is due to an executive proposal to move general fund revenue from the 95 mills to the statutorily appropriated guarantee account, contingent on related legislation. This change has a net zero effect to the budget as a whole; it reduces HB 2 funding by \$866.4 million and increases statutory appropriations by the same amount. Without this fund switch, the Office of Public Instruction's 2025 biennium HB 2 budget request would be \$114.3 million or 5.2% higher than the 2023 biennium budget. The biennial changes by program are listed below:

- A net decrease below the 2023 biennium budget, totaling approximately \$752.8 million in the Local Education Activities Program
 - A decrease of \$866.4 million over the biennium to move the 95 mills to the guarantee account
 - A net increase of \$113.5 million over the biennium for all other present law adjustments and new proposals
- An increase above the 2023 biennium budget, totaling approximately \$716,000 in the State Level Activities Program

These changes will be discussed in detail in the State Level Activities Program and Local Education Activities Program sections below.

Elected Official Request

As an elected official, the Superintendent of Public Instruction has the opportunity to request budget items independent of the executive proposal, for consideration by the legislature. There are three components to the elected official request for the 2025 biennium-- one for ongoing maintenance costs of the new teacher licensure system, one for the Tribal Relations and Resiliency Unit, and one for an adjustment to the statewide present law adjustment for fixed costs.

Elected Official Request - Office of Public Instruction 2025 Biennium			
Request	FY 2024	FY 2025	Biennium Total
<u>State Level Activities</u>			
Teacher Licensure System Ongoing Maintenance			
Operating Expenses	-	166,348	166,348
Tribal Relations and Resiliency Unit (RST/OTO)			
Operating Expenses	-	100,000	100,000
Increase for Fixed Costs			
Operating Expenses	135,270	137,623	272,893
Agency Total	\$135,270	\$403,971	\$539,241

Teacher Licensure System Maintenance

The superintendent requests an appropriation of \$166,348 ongoing general fund beginning in FY 2025 for recurring maintenance costs of the new TeachMT teacher licensing system.

Tribal Relations and Resiliency Unit

The superintendent requests an appropriation of \$100,000 restricted, one-time-only general fund in FY 2025 to fund the Tribal Relations and Resiliency Unit. The program was created to provide opportunities for local school districts and tribal leaders to work together on behalf of American Indian and Alaskan Native students, and it is currently funded with federal grant funds, which are set to expire in September 2024. This request is proposed as restricted and one-time-only in order to give the legislature a chance to review the program at the end of the 2025 biennium. Depending on the success of the program in the upcoming biennium, OPI may request ongoing general fund for the program for the 2027 biennium.

Increase for Fixed Costs

According to OPI, a portion of the general fund allocation of the statewide present law adjustment for fixed costs was instead allocated to proprietary funds in the executive budget submission. As these fixed costs are not included in the current approved Department of Education Indirect Cost Rate, OPI does not have the ability to recover these costs if redirected to the proprietary fund. The superintendent requests that the legislature reallocate the funding for the statewide present law adjustment for fixed costs in order to move that proprietary funding back to general fund authority. Though the change would have a net zero effect, the increase to HB 2 general fund would be \$135,270 in FY 2024 and \$137,623 in FY 2025. The way these amounts are listed, they would be a replacement for the current general fund amounts only for the statewide present law adjustment for fixed costs (DP 2).

5.0% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The Office of Public Instruction has provided a plan for general fund reductions of approximately \$43.6 million, and state special reductions of approximately \$287,000. The plan includes reductions in local assistance, personal services, and operating expenses, which could impact local school district budgets, staffing, and services to schools.

A summary of the entire 2025 biennium 5.0% plan, submitted by the agency, is in the budget analysis appendix.

Agency Goals and Objectives

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

LFD COMMENT

The Legislative Audit Division recently conducted a financial compliance audit of the Office of Public Instruction, focusing on activity related to the state BASE aid and federal funding distributed to the school districts. The following federal programs were subject to the audit: Grants to Local Educational Agencies (Title I); Child Nutrition Cluster; Special Education Cluster (Individuals with Disabilities Education Act, IDEA); and Elementary and Secondary School Emergency Relief (ESSER).

There were 13 recommendations for the Office of Public Instruction as a result of the audit-- related to internal controls, subrecipient monitoring, cash management, OPI's indirect cost pool proprietary fund, federal ESSER funds, child nutrition programs, Title I, IDEA funds, and 21st Century Community Learning Centers (21st CCLC) federal funds.

Additional information on the audit can be found here: <https://storymaps.arcgis.com/collections/aaa743bef92a40e7bf3fbac81c982d08?item=1>

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes - this category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions - this category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - this category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal services funding to or from other expenditure categories (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Statewide Present Law Adjustment for Personal Services FY 2024 Decision Package 1				
Program	Legislatively Approved Changes	Management Decisions	Budget Modifications	Decision Package 1
06 State Level Activities	(1,019,042)	207,463	4,900	(806,679)
Grand Total	(\$1,019,042)	\$207,463	\$4,900	(\$806,679)

These changes will be discussed in detail in the Program Personal Services Section for the State Level Activities Program. The Local Education Activities Program does not have any personal services funding.

Funding

The following table shows proposed agency funding for all sources of authority.

Total Office of Public Instruction Funding by Source of Authority 2025 Biennium Budget Request - Office of Public Instruction						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	1,081,125,321	333,692	0	0	1,081,459,013	44.35 %
State Special Total	23,138,016	0	0	979,601,891	1,002,739,907	41.12 %
Federal Special Total	346,926,314	0	0	0	346,926,314	14.23 %
Proprietary Total	0	0	7,462,207	0	7,462,207	0.31 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$1,451,189,651	\$333,692	\$7,462,207	\$979,601,891	\$2,438,587,441	
Percent - Total All Sources	59.51 %	0.01 %	0.31 %	40.17 %		

HB 2 Funding

General Fund

General fund accounts for a majority of spending for OPI, and a majority of general fund dollars are passed through to local school districts, primarily as K-12 BASE aid.

State Special Revenue

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from hydroelectric power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA. The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

State special revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school food commodities used in the program.

The traffic & safety education state special revenue account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

Federal Special Revenue

OPI receives federal grants that support public education, school nutrition, education for the disadvantaged, special education, professional development for educators, and various other functions.

Statutory Funding

The guarantee account is a state special revenue fund dedicated to school funding, and its funds are statutorily appropriated. The guarantee account receives revenue generated from common school state land, as well as interest from the common school trust. Revenues are primarily generated from interest off the trust in addition to agriculture and extraction industry leases. Revenues from the guarantee account offset general fund received by OPI.

COVID-19 Authority

All three rounds of federal COVID-19 funding for education were provided to OPI through the Elementary and Secondary School Emergency Relief (ESSER) Fund, but each round of funding has its own specific allocation details.

ESSER I

This allocation is also referred to as CARES I or ESSER I, and was provided to OPI from the Governor's Office through the budget amendment process. The funding was allocated according to federal guidance and, where allowable, OPI's discretion. OPI received approximately \$41.3 million in these federal coronavirus relief funds, of which \$35.6 million or 86.1% had been expended as of FYE 2022. The remaining funds were expended in FY 2023.

ESSER II

This allocation is also referred to under three other names—Coronavirus Response and Relief Supplemental Appropriations (CRRSA), CARES II, and ESSER II. OPI received approximately \$182.9 million in these federal coronavirus relief funds, which were appropriated in HB 630 during the 2021 Legislative Session. As of the end of FY 2022, OPI had expended about \$77.4 million or 42.3% of HB 630 funding. Most of the remaining funds are available for expenditure through September 2023.

ESSER III

This allocation is also referred to as the American Rescue Plan Act (ARPA) or ESSER III, and the allocation authority was provided in HB 632 during the 2021 Legislative Session. OPI received approximately \$382.6 million in these federal coronavirus relief funds. By the end of FY 2022, OPI had expended about \$51.2 million or 13.4% of HB 632 funding. Most of the remaining funds are available for expenditure through September 2024.

LFD COMMENT

The legislature may want to understand the proposed plan and schedule for spending of these funds by OPI in more detail, in order to evaluate if there are any legislative actions needed to assist OPI in the expenditure of these funds within the federal guidance and deadlines.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	932,345,305	932,345,305	1,864,690,610	172.42 %	1,112,098,307	1,112,098,307	2,224,196,614	153.23 %
SWPL Adjustments	420,417	512,026	932,443	0.09 %	(174,123)	76,751	(97,372)	(0.01)%
PL Adjustments	15,297,445	65,804,777	81,102,222	7.50 %	19,909,445	71,794,777	91,704,222	6.32 %
New Proposals	(429,763,098)	(435,503,164)	(865,266,262)	(80.01)%	(429,269,706)	(435,010,415)	(864,280,121)	(59.54)%
Total Budget	\$518,300,069	\$563,158,944	\$1,081,459,013		\$702,563,923	\$748,959,420	\$1,451,523,343	

HB 2 Language -

The executive proposes that the following language be included in HB 2:

"All revenue up to \$1.5 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated for the 2025 biennium as provided in Title 20, chapter 7, part 5."

"All appropriations for federal special revenue appropriations in OPI Administration (06) and in Distribution to Public Schools (09) are biennial. All general fund appropriations in Distribution to Public Schools (09) are biennial except for major maintenance aid and debt service assistance."

"Any excess funds from the school major maintenance aid account in 20-9-525(6) transferred to the school facility and technology account are appropriated for the 2025 biennium for the purpose of state debt service assistance in 20-9-367."

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	26,594,024	26,418,391	(175,633)	(0.66)%
Operating Expenses	28,060,831	29,444,349	1,383,518	4.93 %
Local Assistance	0	64,000	64,000	0.00 %
Grants	1,849,885	1,500,000	(349,885)	(18.91)%
Transfers	4,281,015	4,081,240	(199,775)	(4.67)%
Debt Service	331,414	325,514	(5,900)	(1.78)%
Total Expenditures	\$61,117,169	\$61,833,494	\$716,325	1.17 %
General Fund	24,638,353	25,419,946	781,593	3.17 %
State/Other Special Rev. Funds	583,202	958,016	374,814	64.27 %
Federal Spec. Rev. Funds	35,895,614	35,455,532	(440,082)	(1.23)%
Total Funds	\$61,117,169	\$61,833,494	\$716,325	1.17 %
Total Ongoing	\$59,316,244	\$61,499,802	\$2,183,558	3.68 %
Total OTO	\$1,800,925	\$333,692	(\$1,467,233)	(81.47)%

Program Description

The State Level Activities Program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties. The program:

- Supports the superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board
- Is responsible for the distribution and accounting of state and federal funds provided to school districts
- Maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system
- Provides assistance and information to school districts

The program also administers all federal grants received by OPI, including curriculum assistance, special education, Every Student Succeeds Act (ESSA), career and technical education (CTE), and other educational services.

Program Highlights

**State Level Activities Program
Major Budget Highlights**

The State Level Activities Program 2025 biennium budget proposed by the executive is approximately \$716,000 or 1.2% higher than the 2023 biennium. Major highlights include:

- A net decrease for the statewide present law adjustment for personal services, made up of increases in general fund and state special revenue and a decrease in federal special revenue
- Increases in general fund, state special, and federal special revenue for the statewide present law adjustment for inflation/deflation
- An increase in federal special revenue personal services funding to support part-time modified FTE
- A restricted, biennial increase in general fund grants for the Montana Indian Language Preservation Program
- A one-time-only increase in general fund in FY 2024 only to fund the replacement of audiology equipment used to provide hearing screenings for Montana students
- A decrease of federal special revenue and 3.00 FTE due to the completion of the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant
- A decrease of 1.00 FTE and associated personal services expenses for the Comprehensive School and Community Treatment (CSCT) program services to schools director, as the program moves back to the Department of Public Health and Human Services
- A fund switch from general fund to state special revenue to fund ongoing maintenance costs for the teacher licensure system with teacher license fees, contingent on the passage of related legislation

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	153.27	153.27	149.27	149.27
Personal Services	11,431,765	12,806,887	13,787,137	13,175,776	13,242,615
Operating Expenses	12,089,978	14,091,055	13,969,776	14,809,624	14,634,725
Local Assistance	0	0	0	32,000	32,000
Grants	409,219	1,137,385	712,500	750,000	750,000
Transfers	2,240,395	2,240,395	2,040,620	2,040,620	2,040,620
Debt Service	165,437	168,657	162,757	162,757	162,757
Total Expenditures	\$26,336,794	\$30,444,379	\$30,672,790	\$30,970,777	\$30,862,717
General Fund	11,497,387	12,249,174	12,389,179	12,843,314	12,576,632
State/Other Special Rev. Funds	222,078	290,437	292,765	478,078	479,938
Federal Spec. Rev. Funds	14,617,329	17,904,768	17,990,846	17,649,385	17,806,147
Total Funds	\$26,336,794	\$30,444,379	\$30,672,790	\$30,970,777	\$30,862,717
Total Ongoing	\$26,144,451	\$29,503,454	\$29,812,790	\$30,637,085	\$30,862,717
Total OTO	\$192,343	\$940,925	\$860,000	\$333,692	\$0

Program Discussion -*FY 2022 Appropriations Compared to FY 2022 Actual Expenditures*

The State Level Activities Program modified HB 2 budget of approximately \$30.4 million was 86.5% expended as of the end of FY 2022. Personal services were 89.3% expended due to vacant positions. Operating expenses were 85.9% expended. The majority of unexpended operating expenses were funded with federal dollars, which were lower due indirectly to vacant positions and less-than-historical travel expenditures.

FY 2022 Appropriations Compared to FY 2023 Appropriations

FY 2023 total appropriations are approximately \$228,000 or 0.8% higher than the FY 2022 total appropriation, due to the following differences:

- An increase of approximately \$33,000 due to differences in statewide present law adjustment for personal services
- An increase between fiscal years of approximately \$133,000 for the pay plan and approximately \$10,000 for increases in the per diem amount for traveling employees (included in the bill for the pay plan)
- An increase of approximately \$4,000 due to differences in the statewide present law adjustment for inflation/deflation
- An increase of about \$129,000 between fiscal years due to a state share contribution holiday in FY 2022 only
- An increase of approximately \$10,000 for audiological services
- A decrease of \$210,000 between fiscal years for additional course titles for the Montana Digital Academy. These one-time-only appropriations were appropriated for FY 2022 only
- A decrease of approximately \$8,000 due to fixed cost reductions to the statewide present law adjustment

Executive Request

The 2025 biennium budget proposed by the executive is approximately \$716,000 or 1.2% higher than the 2023 biennium budget. A summary of these budgetary changes can be seen in the agency biennium comparison table at the beginning of this summary.

Personal services were approximately \$13.8 million or 44.9% of total FY 2023 appropriations. The executive proposes a decrease in personal services totaling approximately \$497,000 in FY 2024 and \$430,000 in FY 2025 below the FY 2023 ongoing base of \$13.7 million. This decrease is due in large part to three reductions in federal special revenue—one reduction due to how the personal services budgeting process works and the other two due to the reductions of federally funded FTE. The decrease is also partially offset by an increase for a federal grant award adjustment for personal services funding. These reductions will be discussed in detail in the Program Personal Services and Present Law Adjustments sections below.

Operating expenses were approximately \$14.0 million or 45.5% of total FY 2023 appropriations. The executive proposes an increase in operating expenses above the FY 2023 ongoing base of \$13.9 million, totaling approximately \$873,000 in FY 2024 and \$697,000 in FY 2025. This increase is the net result of the following changes:

- A net increase of approximately \$21,000 in FY 2024 and approximately \$23,000 in FY 2025 for the statewide present law adjustment for fixed costs
 - General fund increases of approximately \$48,000 in FY 2024 and \$49,000 in FY 2025
 - State special revenue decreases of approximately \$420 in each fiscal year of the biennium
 - Federal special revenue decreases of approximately \$26,000 in each fiscal year of the biennium

**LFD
COMMENT**

According to OPI, a portion of the general fund allocation of the statewide present law adjustment for fixed costs was instead allocated to proprietary funds in the executive budget submission. The superintendent requests that the legislature reallocate the funding for the statewide present law adjustment for fixed costs in order to move that proprietary funding back to general fund authority.

If the legislature chooses to reallocate the appropriation authority, the general fund portion of the change package would be

\$135,270 in FY 2024 and \$137,623 in FY 2025. The net total increase for the change package in HB 2 would be \$87,706 in FY 2024 and \$88,840 in FY 2025

- A net increase of approximately \$537,000 in FY 2024 and approximately \$695,000 in FY 2025 for the statewide present law adjustment for inflation/deflation
 - General fund increases of approximately \$133,000 in FY 2024 and \$169,000 in FY 2025
 - State special revenue increases of approximately \$4,400 in FY 2024 and \$5,800 in FY 2025
 - Federal special revenue increases of approximately \$400,000 in FY 2024 and \$520,000 in FY 2025
- A one-time-only increase in FY 2024 only for general fund operating expenses of approximately \$334,000 in order to fund the replacement of audiology equipment used to provide hearing screenings for Montana students
- Decreases in operating expenses of approximately \$10,000 general fund and \$10,000 federal special revenue in each fiscal year of the biennium in order to move Comprehensive School and Community Treatment (CSCT) back to the Department of Public Health and Human Services (DPHHS)

Local assistance appropriations were not included in the FY 2023 budget. The executive is proposing an increase of \$32,000 general fund local assistance in each fiscal year of the biennium to fund the appropriation for the Tribal Computer Boost Scholarship Program (HB 644, 2021 Legislative Session).

There was one grant appropriation included in the FY 2023 budget for the Montana Indian Language Preservation Program; however, because the program was funded with a one-time-only appropriation, the base budget for grants is \$0. The executive is proposing an increase of \$750,000 general fund in each fiscal year of the biennium to reauthorize the Montana Indian Language Preservation program as an ongoing appropriation.

Transfers accounted for approximately 6.7% of total FY 2023 appropriations for the program. The executive is not proposing any changes from the FY 2023 base of approximately \$2.0 million.

Debt service accounted for approximately 0.5% of total FY 2023 appropriations for the program. The executive is not proposing any changes from the FY 2023 base of approximately \$163,000.

These changes will be discussed in detail in the Present Law Adjustments and New Proposals sections below.

The figure below summarizes the proposed budget by purpose.

State Level Activities Summary by Purpose 2025 Biennium Proposed Budget			
	Biennium Totals - HB 2 Only		
	State		
	General Fund	Special	Federal Special
Accreditation	643,565	-	-
Administration	3,269,261	-	-
Adult Basic Education	-	-	499,543
Assessment	219,150	-	8,973,687
Audiology			
Ongoing	1,148,998	-	-
One-time-only	333,692	-	-
Career Technical & Adult Education	804,895	-	-
Carl Perkins Grant	-	-	1,093,383
Content Standards & Instruction	802,800	-	-
Education of Homeless Children	-	-	175,419
FNS Administrative Review and Training (ART) Grant	-	-	249,446
Health Education	-	474,148	-
Health Enhancement & Safety	170,967	-	-
HES Commodities	-	151,187	-
Indian Education For All	1,396,041	-	-
Indian Language Preservation	1,500,000	-	-
Individuals with Disabilities Education Act (IDEA)			
IDEA Part B	-	-	8,622,754
IDEA Part D	-	-	830,188
Information Data & Technology	7,798,294	-	-
Legal Services	923,723	332,681	-
Miscellaneous Federal Funds	-	-	2,271,101
Montana Digital Academy	4,061,240	-	-
NAEP/NCES/NEA	-	-	264,003
School Nutrition	-	-	3,222,466
State Distribution To Schools	2,050,769	-	-
Student Support Services	296,551	-	-
Substance Abuse and Mental Health Services (SAMHSA)	-	-	1,504,995
Title I			
Grants to Local Education Agencies	-	-	3,914,175
Migrant Education	-	-	378,512
School Improvement Grants	-	-	381,107
Title II Part A Teacher	-	-	1,087,483
Title III English Language	-	-	346,301
Title IV Part B 21st Century	-	-	1,384,671
Title V Rural Low Income	-	-	52,277
YRBS & School Health Priorities	-	-	204,021
Subtotals by Fund Type	\$25,419,946	\$958,016	\$35,455,532
TOTAL STATE LEVEL ACTIVITIES			\$61,833,494

Program Personal Services

The proposed budget for the State Level Activities Program includes a decrease in personal services totaling approximately \$497,000 in FY 2024 and \$430,000 in FY 2025 below the FY 2023 ongoing base of \$13.7 million. This decrease is the net result of the following changes:

- A net decrease of approximately \$807,000 in FY 2024 and \$739,000 in FY 2025 for the statewide present law adjustment for personal services
 - General fund increases of approximately \$166,000 in FY 2024 and \$195,000 in FY 2025
 - State special revenue increases of approximately \$15,000 in each fiscal year of the biennium
 - Federal special revenue decreases of approximately \$988,000 in FY 2024 and \$950,000 in FY 2025. OPI uses modified FTE to staff federal grant programs, and the state personal services budgeting process does not reinstate funding for personal services expenditures for modified FTE. These changes are reflected in the legislatively approved changes category. The funding for these modified FTE is reinstated as part of a separate change package in the New Proposals section of the State Level Activities Program

State Level Activities Program Personal Services Present Law Request - FY 2024	
DP 1 Personal Services	
Legislatively Approved Changes	(1,019,042)
Management Decisions	207,463
Budget Modifications	4,900
Total Present Law Adjustment	(\$806,679)

- An increase of \$500,000 in each fiscal year of the biennium for a federal grant award adjustment to reinstate personal services funding for modified FTE
- A decrease of approximately \$136,000 of federal special revenue and the corresponding 3.00 FTE in each fiscal year of the biennium due to the completion of the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant, which ended in March of 2022
- A decrease of approximately \$27,000 general fund and \$27,000 federal special revenue in each fiscal year of the biennium for personal services expenses and the corresponding 1.00 FTE, in order to move CSCT back to DPHHS

Funding

The following table shows proposed agency funding for all sources of authority.

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	25,086,254	333,692	0	0	25,419,946	36.68 %
02001 School Lunch Program	151,187	0	0	0	151,187	15.78 %
02122 Advisory Council	222,372	0	0	0	222,372	23.21 %
02219 Research Fund	110,309	0	0	0	110,309	11.51 %
02402 Traffic & Safety Education	474,148	0	0	0	474,148	49.49 %
State Special Total	\$958,016	\$0	\$0	\$0	\$958,016	1.38 %
03002 Public Instruction	35,515,775	0	0	0	35,515,775	100.17 %
03170 Grant Clearance Discretionary	(60,243)	0	0	0	(60,243)	(0.17) %
Federal Special Total	\$35,455,532	\$0	\$0	\$0	\$35,455,532	51.17 %
06067 Advanced Drivers Education	0	0	309,212	0	309,212	4.14 %
06512 Indirect Cost Pool	0	0	7,152,995	0	7,152,995	95.86 %
Proprietary Total	\$0	\$0	\$7,462,207	\$0	\$7,462,207	10.77 %
Total All Funds	\$61,499,802	\$333,692	\$7,462,207	\$0	\$69,295,701	

*HB 2 Funding*General Fund

General fund supports about a third of the State Level Activities Program budget, with the remainder supported by state special revenue, federal special revenue, and proprietary funds.

State Special Revenue

State special revenues fund the School Lunch Program and the Traffic and Safety Education Program. Revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school food commodities used in the program. Traffic and Safety Education revenues are generated through a percentage of driver's license fees.

Federal Special Revenue

Federal funds support just over half of the Office of Public Instruction's total budget authority.

Non-Budgeted Proprietary Funding

Proprietary funds are used for the indirect cost pool and the advanced drivers' education program. For a detailed discussion of programs funded through proprietary funds, see the discussion on proprietary rates.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	11,584,179	11,584,179	23,168,358	91.14 %	29,812,790	29,812,790	59,625,580	96.43 %
SWPL Adjustments	346,541	413,617	760,158	2.99 %	(247,999)	(21,658)	(269,657)	(0.44) %
PL Adjustments	365,692	32,000	397,692	1.56 %	365,692	32,000	397,692	0.64 %
New Proposals	546,902	546,836	1,093,738	4.30 %	1,040,294	1,039,585	2,079,879	3.36 %
Total Budget	\$12,843,314	\$12,576,632	\$25,419,946		\$30,970,777	\$30,862,717	\$61,833,494	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
Fiscal 2024						Fiscal 2025				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	166,434	14,974	(988,087)	(806,679)	0.00	195,341	15,454	(950,093)	(739,298)
DP 2 - Fixed Costs	0.00	47,564	(419)	(25,812)	21,333	0.00	48,783	(417)	(25,712)	22,654
DP 3 - Inflation Deflation	0.00	132,543	4,410	400,394	537,347	0.00	169,493	5,803	519,690	694,986
DP 601 - Audiological Services Equipment Replacement (OTO)	0.00	333,692	0	0	333,692	0.00	0	0	0	0
DP 613 - Tribal Computer Boost Scholarship Program	0.00	32,000	0	0	32,000	0.00	32,000	0	0	32,000
Grand Total All Present Law Adjustments	0.00	\$712,233	\$18,965	(\$613,505)	\$117,693	0.00	\$445,617	\$20,840	(\$456,115)	\$10,342

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

LFD COMMENT

The statewide present law adjustment for personal services is negative for OPI due to the state personal services budgeting process, which does not reinstate funding for personal services expenditures for modified FTE. OPI uses modified FTE to staff federal grant programs. The funding for these modified FTE is often reinstated as part of a separate change package (see DP 605).

OPI has also had workforce retention and recruitment challenges related to permanent HB 2 FTE. The HB 2 vacancies were higher than historical amounts, which impacted the agency's base budget for the 2025 biennium due to how the state personal services budgeting process funds vacant positions.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 601 - Audiological Services Equipment Replacement (OTO) -

The executive requests one-time-only general fund operating expenses in FY 2024 only in order to fund the replacement of audiology equipment used to provide hearing screenings for Montana students.

**LFD
COMMENT**

The Individuals with Disabilities Education Act (IDEA) requires schools to have a system in place for children suspected of having disabilities, including hearing loss, through the age of 21. The OPI Hearing Conservation Program is the primary method for schools to ensure proper identification of students with hearing impairments. OPI and DPHHS administer the program, which mandates hearing screenings for children in kindergarten, 1st grade, and either 9th or 10th grade. The public school takes on the primary responsibility for conducting screenings, but OPI contracts with audiologists to provide hearing screenings and provides the hearing screening equipment. According to OPI, all of the state's ten audiologists are currently screening with outdated equipment, which is no longer supported by the manufacturer.

**LFD
COMMENT**

One-time-only budget requests are generally included as new proposals. The legislature may want to consider this request as they would a new proposal.

DP 613 - Tribal Computer Boost Scholarship Program -

The executive requests general fund local assistance authority to fund the Tribal Computer Programming Boost Scholarship Program. OPI would administer the teacher professional development component as provided in 20-7-106, MCA.

**LFD
COMMENT**

HB 644 (2021 Legislative Session) authorized the Tribal Computer Programming Boost Scholarship Program. The bill included a sunset at the end of FY 2025. Thus, the funding for this program would typically be included as part of the base budget for the 2025 biennium and would be removed from the base budget for the 2027 biennium. However, the executive included this funding as part of the present law budget request.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
-----Fiscal 2024-----						-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 604 - FTE Efficiency	(3.00)	0	0	(135,701)	(135,701)	(3.00)	0	0	(136,082)	(136,082)
DP 605 - Federal Grant Award Adjustments	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 612 - CSCT FTE Reduction	(1.00)	(36,750)	0	(37,255)	(74,005)	(1.00)	(36,831)	0	(37,502)	(74,333)
DP 614 - Indian Language Preservation Program (RST/BIEN)	0.00	750,000	0	0	750,000	0.00	750,000	0	0	750,000
DP 615 - Teacher Licensure Fund Switch	0.00	(166,348)	166,348	0	0	0.00	(166,333)	166,333	0	0
Total	(4.00)	\$546,902	\$166,348	\$327,044	\$1,040,294	(4.00)	\$546,836	\$166,333	\$326,416	\$1,039,585

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 604 - FTE Efficiency -

The executive requests a reduction of federal special revenue personal services authority. This request would revert 3.00

FTE due to the completion of the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant, which ended in March of 2022.

DP 605 - Federal Grant Award Adjustments -

The executive requests federal special revenue personal services funding to support part-time modified FTE. Changes in state and federal law do not allow the agency to contract for these services and the state personal services funding process does not reinstate personal services expenditures for these workers.

DP 612 - CSCT FTE Reduction -

The executive requests a reduction of 1.00 FTE and the associated personal services and operating expenses funding for the Comprehensive School & Community Treatment (CSCT) Program services to schools director, as the program moves to the Department of Public Health and Human Services (DPHHS).

LFD COMMENT

In the 2021 Legislative Session, the legislature moved the CSCT Program from DPHHS to OPI and approved a restricted, one-time-only appropriation of general fund and state special revenue to be used as state match for federal funds for CSCT. According to the executive, DPHHS has continued to administer the benefit plan, provider network, and claims payments for CSCT throughout the 2023 biennium. The return of CSCT administration to DPHHS would eliminate the third-party collection of the required cash match by OPI.

DP 614 - Indian Language Preservation Program (RST/BIEN) -

The executive requests a restricted, biennial general fund increase in grants funding for the Montana Indian Language Preservation Program (MILP). The MILP was established to address the language loss of Native American languages in the state and to preserve Montana tribal heritage. The funding is used for grants to tribal nations to develop and makes accessible curricula, audio, and video recordings and reference materials to assist in preserving and perpetuating Indian languages.

LFD COMMENT

The 2021 Legislature approved a restricted, biennial, one-time-only appropriation for the Montana Indian Language Preservation Program (MILP). The program was previously housed in the Department of Commerce, but was transferred to the Office of Public Instruction.

DP 615 - Teacher Licensure Fund Switch -

OPI's new TeachMT teacher licensure system was created with federal COVID-19 funding from the Elementary and Secondary School Emergency Relief Fund (ESSER). However, the system will have ongoing costs for upkeep and maintenance that will not be funded with federal dollars. The executive requests a fund switch from general fund to state special revenue in order to use teacher license fees to fund existing operational costs for the teacher licensure system, contingent on the passage of related legislation (LC1410).

LFD COMMENT

Under current law, teacher license fees are deposited into two state special revenue accounts, both of which fund the activities of the Board of Public Education (BPE). About half of BPE's budget is made up of state special revenue from teacher license fees. If LC 1410 were to pass, it would remove teacher license fees as a source of funding for BPE and redirect the funds to a state special revenue account for OPI's current costs of the teacher licensure system. Thus, the general fund or another revenue source would need to be appropriated to the Board of Public Education in order to maintain its current funding level.

The Superintendent of Public Instruction has also made an elected official request for an additional \$166,348 of ongoing general fund in FY 2025 for additional recurring maintenance costs for the teacher licensure system. The elected official request would provide a general fund supplement to the state special revenue account proposed in LC 1410.

**LFD
ISSUE**

In order to remove this funding correctly, this decision package would need to be changed so that the reduction occurs within the Board of Public Education's budget and the increase occurs within the Office of Public Instruction's budget.

Other Issues -
Proprietary Rates

The State Level Activities Program has two proprietary funds. These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance the program. There are two proprietary programs:

- Indirect cost pool
- Advanced driver education program

Indirect Cost Pool – 06512
Proprietary Program Description

The OPI indirect cost pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, and budgeting to all of OPI's state and federally funded programs, using a pre-approved indirect cost rate. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees approved in HB 2 are the maximum fees that may be charged in the biennium.

Program Description
Revenue

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. In FY 2022, OPI federal programs contributed \$1,990,892 towards indirect costs; general and other state-funded programs contributed a combined \$1,153,526.

OPI negotiates an annual predetermined rate with the U.S. Department of Education. In FY 2020, OPI negotiated a one-year rate of 16.7% for FY 2022 and FY 2023. OPI will renegotiate an annual rate for FY 2024 and FY 2025. It is anticipated this rate will be consistent with previous years and remain around 17.0%, which is consistent with the current legislatively approved rate of 17.0%. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The agency may not charge more than the lesser of the rate negotiated with the Department of Education and the rate approved by the legislature.

Expenses

Costs of OPI operations that are paid from the indirect cost pool include:

- Termination payouts (for vacation, comp time, and sick leave) for all staff, except the state superintendent and personal staff
- Partial costs for services provided to OPI by other state agencies, known as fixed costs
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery, and resource center services to all OPI programs
- Operating costs associated with 25.91 FTE, including the cost of rent for space occupied, office supplies, postage, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines, and shared equipment, including maintenance contracts on equipment

It should be noted that the legislative audit costs are appropriated on a biennial basis causing expenditures for the OPI indirect cost pool to be higher in the first year of the biennium.

Rate and Rate Explanation

OPI negotiates an annual predetermined rate with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111, MCA. The approved rate for FY 2022 and FY 2023 is 16.7%. A new rate will be negotiated in December of 2023 and will be applicable for FY 2024.

Projected Fund Balance, Including Cash Fluctuations

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for ongoing operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

Working Capital and Fees Commensurate Analysis

Working Capital is not considered in the rate determination. Sufficient working capital is needed for cashflow during the first 30 to 60 days of the fiscal year.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06512	Indirect Cost Pool	35010	Office of Public Instruction	State Level Activities

	Actual FY 2022	Budgeted FY 2023	Proposed FY 2024	Proposed FY 2025
Operating Revenues:				
Fees and Charges				
Federal Indirect Cost Recovery	1,656,986	1,167,166	1,390,040	1,269,738
Non Federal Ind Cost Recovery	1,229,780	2,085,839	2,132,070	2,145,864
Total Operating Revenues	2,886,766	3,253,005	3,522,110	3,415,602
Expenses:				
Personal Services	1,669,984	2,085,839	2,132,070	2,145,864
Other Operating Expense	870,428	1,167,166	1,390,040	1,269,738
Total Operating Expense	2,540,412	3,253,005	3,522,110	3,415,602
Operating Income (Loss)	346,355	-	-	-
Nonoperating Revenues				
Accommodation Tax	4,180	-	-	-
Total Nonoperating Revenue				
Income (Loss) Before Contributions and Transfers	350,535	-	-	-
Loans and Lease Payments	1,386	24,930	24,930	24,930
Change in Net Position	351,921	24,930	24,930	24,930
Beginning Net Position - July 1	(476,544)	(124,623)	(99,693)	(74,763)
Prior Period Adjustments				
Change in Net Position	351,921	24,930	24,930	24,930
Ending Net Position - June 30	(124,623)	(99,693)	(74,763)	(49,833)
Net Position (Fund Balance) Analysis				
Unrestricted Net Position				

Advanced Drivers Program (Montana DRIVE) in Lewistown - 06067*Proprietary Program Description*

The advanced driver education program (D.R.I.V.E.) is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the health enhancement and safety division of OPI at a training facility in Lewistown. The one-day and half-day courses provides training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers, and the public.

Revenue

Revenues are generated from workshop fees collected from program users. Typically, the program serves 450 to 500 participants a season. The current fee is \$315 per person for a full-day workshop. Program fees should remain \$315 to \$350 for the 2023 biennium. It is anticipated that services will remain approximately the same as present for the 2025 biennium.

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses, and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. This fee amount should also cover any unusual maintenance costs that are incurred during a season.

Expenses

Cost drivers for fees include instructor expenses (includes salaries, travel, and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Continued facility maintenance is anticipated to be an ongoing cost.

Working Capital Discussion

This program is a summer seasonal program that operates 45 to 55 days during June, July, and August utilizing 13 to 16 vehicles. The program typically employs four professional instructors for each workshop (10 to 11 hours per day each) totaling 1.62 FTE. Most revenue is received between April and June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30.0% to 45.0% of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July through March.

Fund Equity and Reserved Fund Balance

In addition to operating expenses during non-revenue months, the program also incurs periodic (every two to five years) expenditures for replacement of vehicles and facility maintenance and improvement. Payment of these services requires accumulation and an amount of revenue to carryover from each year of approximately 10.0% to 20.0% of its annual budget.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06067	Advanced Drivers Program	35010	Office of Public Instruction	State Level Activities

	Actual FY 2022	Budgeted FY 2023	Proposed FY 2024	Proposed FY 2025
Operating Revenues:				
Fees and Charges				
Adv Drivers Fee	142,694	165,000	165,000	165,000
Other Operating Revenues				
Vehicles Revenue	-	-	-	-
Total Operating Revenues	142,694	165,000	165,000	165,000
Expenses:				
Personal Services	84,841	110,764	101,366	101,714
Other Operating Expense				
General	69,429	40,000	41,335	41,543
Equipment & Intangibles	-	11,635	11,635	11,635
Total Operating Expense	154,269	162,399	154,336	154,892
Operating Income (Loss)	(11,575)	2,601	10,664	10,108
Nonoperating Revenues				
Accommodation Tax	-	-	-	-
Total Nonoperating Revenue				
Income (Loss) Before Contributions and Transfers	(11,575)	2,601	10,664	10,108
Loans and Lease Payments	17	353	353	353
Change in Net Position	(11,559)	2,954	11,017	10,461
Beginning Net Position - July 1	109,343	97,784	100,738	111,755
Prior Period Adjustments				
Change in Net Position	(11,559)	2,954	11,017	10,461
Ending Net Position - June 30	97,784	100,738	111,755	122,216
Net Position (Fund Balance) Analysis				
Unrestricted Net Position				

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Operating Expenses	2,533,625	2,790,171	256,546	10.13 %
Local Assistance	1,794,921,091	1,060,218,132	(734,702,959)	(40.93)%
Grants	320,686,985	325,296,542	4,609,557	1.44 %
Transfers	24,371,125	1,385,004	(22,986,121)	(94.32)%
Total Expenditures	\$2,142,512,826	\$1,389,689,849	(\$752,822,977)	(35.14)%
General Fund	1,799,829,562	1,056,039,067	(743,790,495)	(41.33)%
State/Other Special Rev. Funds	31,212,482	22,180,000	(9,032,482)	(28.94)%
Federal Spec. Rev. Funds	311,470,782	311,470,782	0	0.00 %
Total Funds	\$2,142,512,826	\$1,389,689,849	(\$752,822,977)	(35.14)%
Total Ongoing	\$2,120,226,766	\$1,389,689,849	(\$730,536,917)	(34.46)%
Total OTO	\$22,286,060	\$0	(\$22,286,060)	(100.00)%

Program Description

The Local Education Activities Program is used by OPI to distribute state and federal funds to local education agencies.

Program Highlights

Local Education Activities Program Major Budget Highlights
<p>The Office of Public Instruction's 2025 biennium HB 2 budget request for the Local Education Activities Program is approximately \$752.8 million or 35.1% lower than the 2023 biennium. This large decrease is due to an executive proposal to move general fund revenue from the 95 mills to the statutorily appropriated guarantee account, contingent on related legislation. This change has a net zero effect to the budget as a whole; it reduces HB 2 appropriations by \$866.4 million and increases statutory appropriations by the same amount</p> <p>Without this fund switch, the Office of Public Instruction's 2025 biennium budget request for the Local Education Activities Program would be \$113.5 million or 5.3% higher than the 2023 biennium budget. Major highlights include:</p> <ul style="list-style-type: none"> • A large increase in general fund for the K-12 BASE aid inflationary adjustment • Increases in general fund for the at-risk student payment, the advanced opportunities act, the transformational learning program, and national board certification stipends • An increase of state special revenue for debt service assistance • A decrease in general fund to offset revenue increases in the statutorily appropriated guarantee account • A decrease in general fund and an increase in state special revenue, netting a total increase for the natural resource development (NRD) K-12 facilities payment
Legislative Action Items
<ul style="list-style-type: none"> • In the 2023 biennium, certain programs (such as the Advanced Opportunities and Transformational Learning grant programs) were appropriated with a restricted designation. The legislature may wish to add this designation to these programs again • The legislature may wish to change the K-12 BASE aid increase to bring the guaranteed tax base aid (GTB) ratio adjustment from marijuana revenue in line with the HJ 2 revenue estimate • The legislature may wish to change the 95 mill transfer to the guarantee account to bring it in line with the HJ 2 revenue estimate

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
Operating Expenses	1,131,939	1,139,738	1,393,887	1,383,523	1,406,648
Local Assistance	870,486,784	875,868,585	919,052,506	506,950,728	553,267,404
Grants	148,515,116	159,465,363	161,221,622	162,566,393	162,730,149
Transfers	6,449,000	12,720,371	11,650,754	692,502	692,502
Total Expenditures	\$1,026,582,839	\$1,049,194,057	\$1,093,318,769	\$671,593,146	\$718,096,703
General Fund	873,196,348	878,993,436	920,836,126	505,456,755	550,582,312
State/Other Special Rev. Funds	8,854,092	14,465,230	16,747,252	10,401,000	11,779,000
Federal Spec. Rev. Funds	144,532,399	155,735,391	155,735,391	155,735,391	155,735,391
Total Funds	\$1,026,582,839	\$1,049,194,057	\$1,093,318,769	\$671,593,146	\$718,096,703
Total Ongoing	\$1,020,941,169	\$1,037,941,249	\$1,082,285,517	\$671,593,146	\$718,096,703
Total OTO	\$5,641,670	\$11,252,808	\$11,033,252	\$0	\$0

Program Discussion -

FY 2022 Appropriations Compared to FY 2022 Actual Expenditures

The Local Education Program's modified HB 2 budget of approximately \$1.0 billion was 97.8% expended as of the end of FY 2022. Operating expenses were 99.3% expended at fiscal year end.

Though local assistance was 99.4% expended, the appropriation was large enough that OPI had approximately \$5.4 million in unspent HB 2 local assistance authority at the end of FY 2022. The majority of that unspent authority was due to higher-than-expected revenue in the guarantee account, which offsets expenditures from the general fund.

Grants were 93.1% expended, leaving OPI with approximately \$11.0 million in unspent HB 2 grant authority at the end of FY 2022. The lower percentage expended at fiscal year end was due to the timing of payments and the expiration dates of various programs. For ongoing grants like Title I and Individuals with Disabilities Education Act (IDEA), payments are aligned with the school year rather than the fiscal year. Additionally, some multi-year federal grants did not need to be expended by the end of FY 2022.

Transfers were only 50.7% expended, due to lower-than-expected expenditures for Comprehensive School and Community Treatment (CSCT) services. Of the total \$11.2 million for CSCT, \$2.2 million was general fund bridge funding, which was transferred out to DPHHS in December of 2021. The remaining \$8.9 million for CSCT was state special revenue, of which \$3.3 million was expended in FY 2022. The unspent portion of the appropriation was not supported by cash in the state special revenue account, due to how the account was set up to receive funds from local school districts as state match for federal funds.

FY 2022 Appropriations Compared to FY 2023 Appropriations

FY 2023 total appropriations are approximately \$44.1 million or 4.2% higher than the FY 2022 total appropriation. This increase is the net result of the following major changes:

- An increase of approximately \$38.4 million for K-12 BASE aid
- An increase of \$2.5 million for starting teacher salaries
- An increase of approximately \$0.1 million for the at-risk student payment
- An increase of \$0.9 million for advanced opportunities aid
- A decrease of \$0.4 million to offset projected guarantee account revenues
- A decrease of approximately \$0.2 million for CSCT

The majority of general fund appropriations for OPI are biennial, meaning they can be spent at any time over the biennium.

Executive Request

The Office of Public Instruction's 2025 biennium HB 2 budget request for the Local Education Activities Program is approximately \$752.8 million or 35.1% lower than the 2023 biennium. This large decrease is due to an executive proposal to move general fund revenue from the 95 mills to the statutorily appropriated guarantee account, contingent on related legislation. This change has a net zero effect to the budget as a whole; it reduces HB 2 funding by \$866.4 million and increases statutory appropriations by the same amount. Without this fund switch, the Office of Public Instruction's 2025 biennium budget request for the Local Education Activities Program would be \$113.5 million or 5.3% higher than the 2023 biennium budget.

Local assistance makes up the majority of the Local Education Activities Budget. It accounted for approximately 84.1% of total FY 2023 appropriations for the program. The executive proposes a decrease to local assistance below the FY 2023 ongoing base of \$919.1 million, totaling approximately \$399.6 million in FY 2024 and \$367.4 million in FY 2025. This increase is the net result of the following changes:

- A decrease in general fund-- totaling approximately \$430.3 million in FY 2024 and \$436.1 million in FY 2025-- for a proposal to move the 95 mills to the guarantee account, contingent on related legislation
- An increase in general fund and state special revenue, netting a total increase of approximately \$5.4 million in FY 2024 and \$7.1 million in FY 2025 for the natural resource development (NRD) K-12 facilities payment
- An increase of \$2.0 million state special revenue in each fiscal year of the biennium for debt service assistance
- An increase in general fund of approximately \$159,000 in FY 2024 and approximately \$340,000 in FY 2025 for the at-risk student payment
- An increase in general fund of \$76,000 in FY 2024 and \$74,000 in FY 2025 for national board certification stipends
 - This change package is for \$160,000 in each fiscal year of the biennium. Of the \$160,000-- approximately \$84,000 in FY 2024 and \$86,000 in FY 2025 are proposed to shift from operating expenses to local assistance, and the remaining approximately \$76,000 in FY 2024 and \$74,000 in FY 2025 are new general fund increases
- A net increase in general fund for K-12 BASE aid, totaling approximately \$23.1 million in FY 2024 and \$59.1 million in FY 2025, made up of the following changes:
 - An increase of approximately \$16.0 million in FY 2024 and \$69.6 million in FY 2025 for the K-12 BASE aid inflationary adjustment
 - A decrease of approximately \$5.5 million in FY 2024 and \$8.9 million in FY 2025 to offset revenue increases in the statutorily appropriated guarantee account

**LFD
COMMENT**

The executive request for K-12 BASE aid is detailed below:

K-12 BASE Aid Summary				
Description	Base Budget	Present Law & New Proposals FY 2024	Present Law & New Proposals FY 2025	Total 2025 Biennium
Total Base Aid	\$925,950,861	\$34,645,607	\$73,095,166	\$1,959,642,495
HB 2 General Fund	883,105,995	23,091,355	59,097,259	1,848,400,604
95 Mills to the Guarantee Account	-	(430,310,000)	(436,050,000)	(866,360,000)
Statutory - Guarantee Account	42,844,866	11,554,252	13,997,907	111,241,891
95 Mills to the Guarantee Account	-	430,310,000	436,050,000	866,360,000
DP 902 - K12 BASE Aid Inflationary Increase	\$883,105,995	\$16,007,882	\$69,594,142	\$1,862,725,763
Direct State Aid	466,808,345	13,160,889	30,854,903	977,632,482
GTB - School General Fund	261,306,139	(1,386,972)	28,978,781	561,115,836
GTB - School Retirement	51,488,371	(593,651)	1,416,149	103,799,240
Special Education	44,702,880	950,191	2,623,806	92,979,757
Quality Educator	46,621,187	3,554,902	5,002,741	101,800,017
Indian Ed for All	3,641,372	83,784	211,729	7,578,257
Close Achievement Gap	4,728,621	131,649	276,423	9,865,314
Data for Achievement	3,486,380	79,790	202,310	7,254,860
Audit	322,700	27,300	27,300	700,000
DP 914 - Guarantee Account Adjustment	\$0	(\$5,464,252)	(\$8,860,907)	(\$14,325,159)
DP 925 - 95 Mills to the Guarantee Account	\$0	(\$430,310,000)	(\$436,050,000)	(\$866,360,000)
Statutory BASE Aid - Guarantee Account	\$42,844,866	\$11,554,252	\$13,997,907	\$111,241,891
Direct State Aid	42,844,866	6,090,000	5,137,000	96,916,732
Guarantee Account Adjustment	-	5,464,252	8,860,907	14,325,159
95 Mills to the Guarantee Account	\$0	\$430,310,000	\$436,050,000	\$866,360,000

This 95 mill transfer to the guarantee account is based on the executive forecast of the 95 mills, not the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2022. If HJ 2 values were used, \$426,054,000 would transfer in FY 2024 and \$435,529,000 would transfer in FY 2025.

Grants accounted for 14.7% of total FY 2023 appropriations for the program. The executive proposes an increase to local assistance above the FY 2023 base of \$161.2 million, totaling approximately \$1.3 million in FY 2024 and \$1.5 million in FY 2023. This increase is the result of the following changes:

- An increase in general fund of approximately \$193,000 in FY 2024 and approximately \$257,000 in FY 2025 for the transformational learning program
- An increase in general fund of approximately \$1.2 million in FY 2024 and approximately \$1.3 million in FY 2025 for the advanced opportunities act

Transfers accounted for approximately 1.1% of total FY 2023 appropriations for the program. The approximately \$10.9 million in FY 2023 for CSCT was a one-time-only appropriation and expires at the end of the biennium. The executive is not proposing any changes from the ongoing FY 2023 base of approximately \$693,000.

Operating expenses accounted for just over 0.1% of total FY 2023 appropriations for the program. The executive proposes

changes to operating expenses from the FY 2023 base of \$1.4 million, totaling an approximately \$10,000 decrease in FY 2024 and an approximately \$13,000 increase in FY 2025. These changes are the result of the following:

- An increase in general fund of approximately \$74,000 in FY 2024 and \$98,000 in FY 2025 for the statewide present law adjustment for inflation/deflation
- A decrease in general fund operating expenses of approximately \$84,000 in FY 2024 and \$86,000 in FY 2025 for national board certification, in order to shift the funding for national board certification from operating expenses to local assistance. This change has a net-zero effect

The figure below summarizes the proposed budget by purpose.

Local Education Activities Summary by Purpose 2025 Biennium Proposed Budget			
	Biennium Totals - HB 2 Only		
	<u>General Fund</u>	<u>State Special</u>	<u>Federal Special</u>
K-12 BASE Aid	971,128,855	-	-
Adult Basic Education	1,050,000	-	2,205,184
Advanced Opportunities	7,499,133	-	-
Advancing Ag Ed	303,920	-	-
At Risk Students	12,245,709	-	-
Career and Technical Education - Match CSTO	1,106,000	-	-
Career and Technical Education - State Match	3,000,000	-	-
Carl Perkins Grant	-	-	6,488,966
Coal MT	3,386,548	-	-
Debt Service Assistance	-	9,000,000	-
Education of Homeless Children	-	-	487,178
Gifted And Talented	700,000	-	-
Indian Language Immersion	193,940	-	-
Individuals with Disabilities Education Act (IDEA)			
IDEA Part B	-	-	72,747,720
IDEA Part D	-	-	316,000
IDEA Preschool	-	-	2,481,596
Instate Treatment	2,335,638	-	-
National Board Certification	360,000	-	-
Recruitment and Retention	1,000,000	-	-
School Food	1,402,637	-	-
School Major Maintenance	20,848,100	11,680,000	-
School Nutrition	-	-	90,650,394
School Safety Grants	200,000	-	-
State Tuition Payments	519,852	-	-
Title I			
Grants to Local Education Agencies	-	-	92,926,044
Migrant Education	-	-	3,175,788
Neglected & Delinquent	-	-	505,388
School Improvement Grants	-	-	76,000
Title II Part A Teacher	-	-	17,897,464
Title III English Language	-	-	660,000
Title IV Part B 21st Century	-	-	19,255,968
Title V Rural Low Income	-	-	1,597,092
Traffic Education Flow-Through	-	1,500,000	-
Transformational Learning	4,761,631	-	-
Transportation Aid	23,997,104	-	-
Subtotals by Fund Type	\$1,056,039,067	\$22,180,000	\$311,470,782
TOTAL LOCAL EDUCATION ACTIVITIES			\$1,389,689,849

Program Personal Services

The Local Education Activities Program does not have any personal services funding.

Funding

The following table shows proposed agency funding for all sources of authority.

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,056,039,067	0	0	0	1,056,039,067	44.57 %
02018 Guarantee Fund	0	0	0	977,601,891	977,601,891	97.59 %
02218 School Facility & Tech Account	9,000,000	0	0	2,000,000	11,000,000	1.10 %
02402 Traffic & Safety Education	1,500,000	0	0	0	1,500,000	0.15 %
02487 School Fac State Spcl Revenue	11,680,000	0	0	0	11,680,000	1.17 %
State Special Total	\$22,180,000	\$0	\$0	\$979,601,891	\$1,001,781,891	42.28 %
03170 Grant Clearance Discretionary	311,470,782	0	0	0	311,470,782	100.00 %
Federal Special Total	\$311,470,782	\$0	\$0	\$0	\$311,470,782	13.15 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$1,389,689,849	\$0	\$0	\$979,601,891	\$2,369,291,740	

The Local Education Activities Program is funded by a combination of general fund, state, and federal special revenue. The majority of funds are appropriated in HB 2 and the remainder are statutory appropriations.

General Fund

General fund supports the majority of the distribution to school districts, with the addition of some state and federal funds.

State Special Revenue**Guarantee Account**

The guarantee account is a state special revenue account, which receives revenue generated from common school trust lands and the subsequent interest on the common school trust account. Revenue is statutorily appropriated for school funding per 20-9-622, MCA.

School Facility and Technology Account

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from public land trust power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA.

Traffic & Safety Education Account

The traffic & safety education account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

School Facility State Special Revenue Account

The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

Federal Funds

Federal funds support school nutrition, education for the disadvantaged, special education, professional development for

educators, and various other purposes.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	920,761,126	920,761,126	1,841,522,252	174.38 %	1,082,285,517	1,082,285,517	2,164,571,034	155.76 %
SWPL Adjustments	73,876	98,409	172,285	0.02 %	73,876	98,409	172,285	0.01 %
PL Adjustments	14,931,753	65,772,777	80,704,530	7.64 %	19,543,753	71,762,777	91,306,530	6.57 %
New Proposals	(430,310,000)	(436,050,000)	(866,360,000)	(82.04)%	(430,310,000)	(436,050,000)	(866,360,000)	(62.34)%
Total Budget	\$505,456,755	\$550,582,312	\$1,056,039,067		\$671,593,146	\$718,096,703	\$1,389,689,849	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - Inflation Deflation	0.00	73,876	0	0	73,876	0.00	98,409	0	0	98,409
DP 902 - K-12 BASE Aid Inflationary Increase	0.00	16,007,882	0	0	16,007,882	0.00	69,594,142	0	0	69,594,142
DP 903 - At Risk Payment Inflationary Increase	0.00	158,592	0	0	158,592	0.00	339,563	0	0	339,563
DP 904 - Increase National Board Certification	0.00	75,760	0	0	75,760	0.00	74,352	0	0	74,352
DP 907 - NRD K-12 Facilities Major Maintenance Aid	0.00	2,809,000	2,612,000	0	5,421,000	0.00	3,117,100	3,990,000	0	7,107,100
DP 910 - State Transformational Learning Aid	0.00	193,257	0	0	193,257	0.00	256,854	0	0	256,854
DP 911 - State Advanced Opportunities Aid	0.00	1,151,514	0	0	1,151,514	0.00	1,251,673	0	0	1,251,673
DP 912 - Debt Service Assistance	0.00	0	2,000,000	0	2,000,000	0.00	0	2,000,000	0	2,000,000
DP 914 - Guarantee Account Adjustment	0.00	(5,464,252)	0	0	(5,464,252)	0.00	(8,860,907)	0	0	(8,860,907)
Grand Total All Present Law Adjustments	0.00	\$15,005,629	\$4,612,000	\$0	\$19,617,629	0.00	\$65,871,186	\$5,990,000	\$0	\$71,861,186

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 902 - K-12 BASE Aid Inflationary Increase -

The executive requests general fund local assistance authority to support the inflationary increases of 2.7% in FY 2024 and 3.0% in FY 2025 for the basic entitlement, per-ANB entitlement, quality educator payment, Indian education for all payment, data for achievement payment, special education allowable cost payment, and American Indian achievement gap payment. The present law adjustment also includes funding for growth in enrollment (ANB), an adjustment for the change to the guaranteed tax base (GTB) aid multiplier (20-9-366, MCA) for property tax changes and revenue received from marijuana, and an increase of \$1.0 million each year for teacher base pay incentives (20-9-324, MCA). This request is contingent on passage and approval of HB 15.

**LFD
COMMENT**

Historically, K-12 funding components have been appropriated with a biennial designation. Because public school budgets for the 2025 biennium are not yet established, the Office of Public Instruction may require some flexibility over the biennium in order to make the correct payment amounts for K-12 funding components to local school districts. This designation will be added when the legislature adopts the HB 2 language proposed by the executive (see the HB 2 Language section of the Agency Summary).

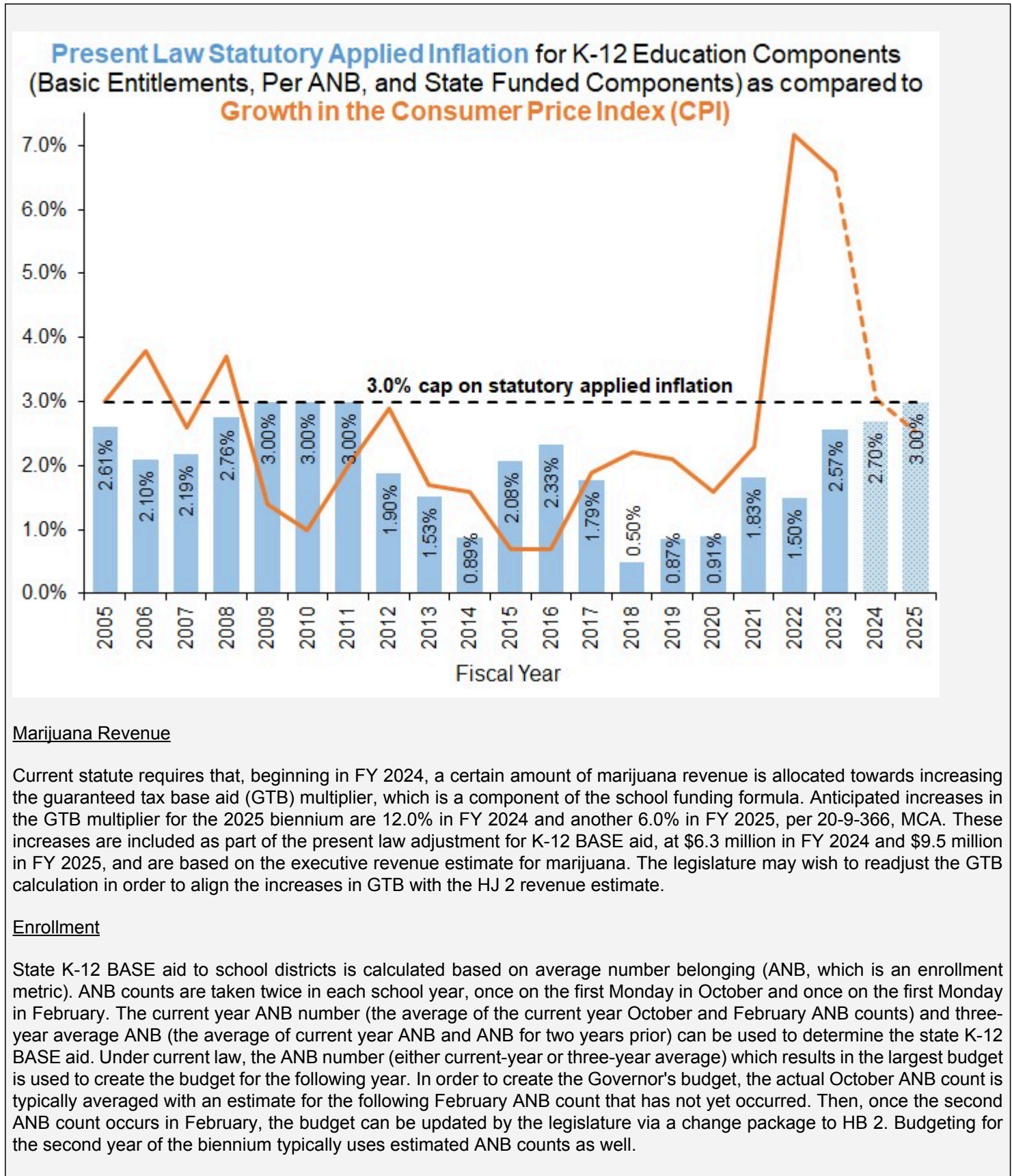
**LFD
COMMENT**

The executive request for the K-12 BASE aid increase includes funding for the growth from statutory inflationary increases (20-9-326, MCA) at 2.7% in FY 2024 and 3.0% in FY 2025, the growth in enrollment (average number belonging, ANB) at 0.98% in FY 2024 and 0.65% in FY 2025, and the growth in the GTB ratio from marijuana revenue (20-9-366, MCA) at 12.0% in FY 2024 and 6.0% in FY 2025. This request has also been adjusted to align school district GTB aid with the HJ 2 property tax revenue estimate.

Inflation

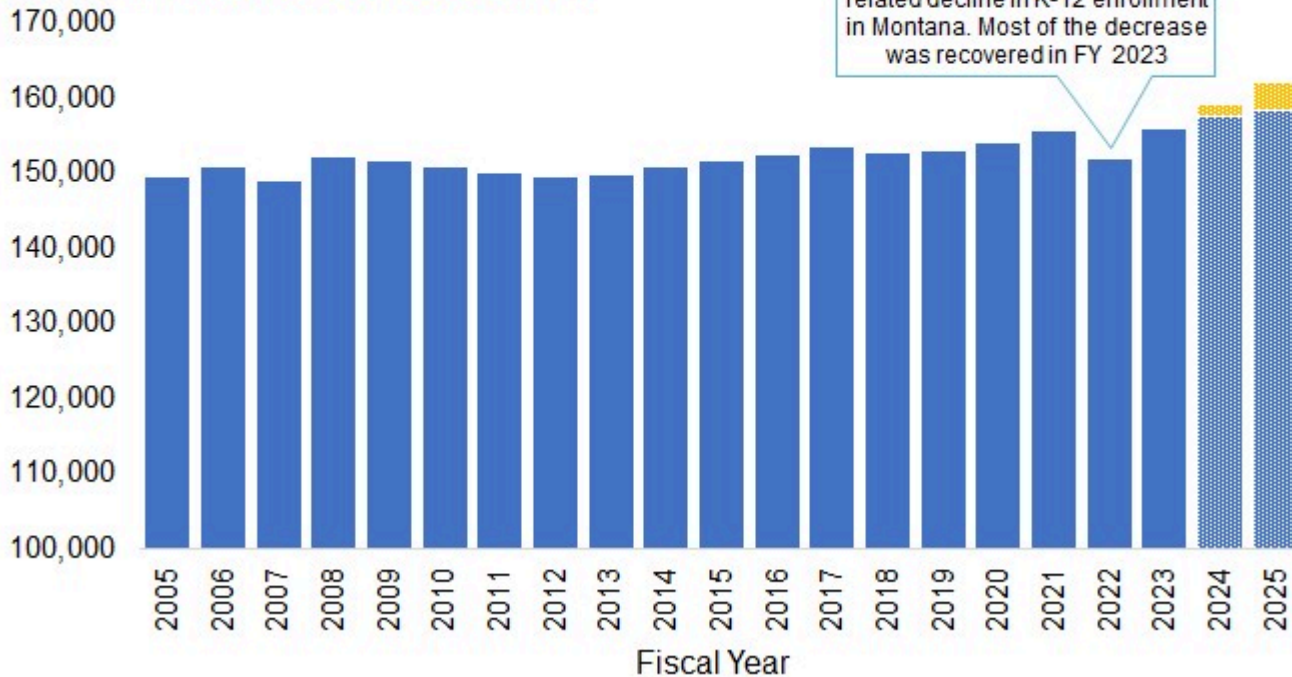
Statute requires that certain components of school funding include a present law adjustment for inflation in the superintendent's budget request (20-9-326, MCA). Anticipated inflationary increases in the 2025 biennium are 2.7% in FY 2024 and 3.0% in FY 2025, based on the IHS Markit forecast from August 2022. These growth rates are higher than previous biennium growth rates, which were 1.5% in FY 2022 and 2.6% in FY 2023.

Statute requires the use of a three-year average of inflation be used to determine the K-12 inflation rate, and the K-12 inflation rate is capped at 3.0%. Due to the lag from the three-year average, the statutory applied inflation calculation for FY 2024 does not hit the 3.0% cap. The statutory applied inflation calculation for FY 2025 results in a K-12 inflation rate above the cap (4.91%), so the FY 2025 inflation rate is set at 3.0%. The following graphic illustrates the present law statutorily applied inflation (based on the IHS Markit forecast from August 2022, per statute) and current forecast of CPI (as of November 2022).



K-12 enrollment (ANB) is expected to grow moderately over the next biennia. If **enrollment (ANB)** returns to **pre-pandemic participation** levels, it may add additional pressure to the budget.

Note that the scale on this chart does not begin at zero.



The school age population is higher today than prior to the pandemic. Public school enrollments were unusually low in FY 2021, which resulted in low ANB for FY 2022. School enrollments partially returned in FY 2022 which will result in ANB returning to a level more consistent with previous years in FY 2023. Under present law assumptions, enrollments are anticipated to grow modestly from this level.

DP 903 - At Risk Payment Inflationary Increase -

The executive requests general fund local assistance authority to support inflationary increases for the at-risk student payment. These increases represent a 2.7% in FY 2024 and 3.0% in FY 2025, which are the same inflationary rates associated with the present law adjustment for K-12 BASE aid.

LFD COMMENT

Historically, K-12 funding components have been appropriated with a biennial designation. Because public school budgets for the 2025 biennium are not yet established, the Office of Public Instruction may require some flexibility over the biennium in order to make the correct payment amounts for K-12 funding components to local school districts. This designation will be added when the legislature adopts the HB 2 language proposed by the executive (see the HB 2 Language section of the Agency Summary).

DP 904 - Increase National Board Certification -

The executive requests an increase in general fund local assistance for stipends to qualified teachers who hold a current certification with the National Board for Professional Teaching Standards, per 20-4-134, MCA.

LFD COMMENT Last legislative session, national board certification funding was authorized as a restricted and biennial appropriation. The biennial designation will be added when the legislature adopts the HB 2 language proposed by the executive (see the HB 2 Language section of the Agency Summary), but the legislature may again wish to add the restricted designation to the national board certification appropriation.

DP 907 - NRD K-12 Facilities Major Maintenance Aid -

The natural resource development (NRD) K-12 facilities payment (20-9-635, MCA) is composed of general fund and state special coal sub-trust interest, and the payment is used to support School Major Maintenance in public schools. The executive requests an increase of general fund and state special revenue local assistance in order to meet the statutory required growth in each year of the biennium, per 20-9-635, MCA.

LFD COMMENT Historically, certain K-12 funding components have been appropriated with a biennial designation. However, the HB 2 language proposed by the executive (see the HB 2 Language section of the Agency Summary) specifically exempts major maintenance aid from the requested biennial appropriations. This requested language is consistent with the historical HB 2 language for K-12 education.

DP 910 - State Transformational Learning Aid -

The executive requests general fund grant authority to increase the state transformational learning payment. This increase represents 10.0% of the estimated statewide number of full-time equivalent educators from the fiscal year immediately preceding the year to which distribution of transformational aid applies, per 20-7-1602(8)(b)(iii), MCA.

LFD COMMENT Last legislative session, state transformational learning aid was authorized as a restricted and biennial appropriation. The biennial designation will be added when the legislature adopts the HB 2 language proposed by the executive (see the HB 2 Language section of the Agency Summary), but the legislature may again wish to add the restricted designation to the transformational learning appropriation.

DP 911 - State Advanced Opportunities Aid -

The executive requests general fund grant authority to increase the state advance opportunities payment. This increase represents an amount sufficient to provide advanced opportunities aid to 100.0% of districts in FY 2024 and FY 2025, based on the statutory inflationary increases of 2.7% in FY 2024 and 3.0%, as per section 20-7-1506(7), MCA.

LFD COMMENT Last legislative session, state advanced opportunities aid was authorized as a restricted and biennial appropriation. The biennial designation will be added when the legislature adopts the HB 2 language proposed by the executive (see the HB 2 Language section of the Agency Summary), but the legislature may again wish to add the restricted designation to the advanced opportunities appropriation.

DP 912 - Debt Service Assistance -

The executive requests state special revenue local assistance authority to increase the debt service assistance payment.

LFD COMMENT Historically, certain K-12 funding components have been appropriated with a biennial designation. However, the HB 2 language proposed by the executive (see the HB 2 Language section of the Agency Summary)

specifically exempts debt service assistance from the requested biennial appropriations. This requested language is consistent with the historical HB 2 language for K-12 education.

DP 914 - Guarantee Account Adjustment -

The executive requests a reduction in general fund K-12 BASE aid costs and an increase in the statutory guarantee account authority to reflect the HJ 2 revenue estimate for the guarantee account. The guarantee account revenue is statutorily appropriated and offsets general fund expenditures for K-12 BASE aid.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals									
-----Fiscal 2024-----					-----Fiscal 2025-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 925 - 95 Mills to Guarantee Account									
0.00	(430,310,000)	0	0	(430,310,000)	0.00	(436,050,000)	0	0	(436,050,000)
Total	0.00 (\$430,310,000)	\$0	\$0	\$0 (\$430,310,000)	0.00 (\$436,050,000)	\$0	\$0	\$0 (\$436,050,000)	

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 925 - 95 Mills to Guarantee Account -

The executive requests a fund switch for K-12 BASE aid from the general fund to the state special revenue guarantee account. Revenue from the 95 mills levied for school funding would be redirected from the general fund to the statutorily appropriated state special revenue guarantee account (20-9-622, MCA), contingent on passage and approval of the proposed legislation.

LFD COMMENT

This request is contingent upon related legislation (LC 0479), which has not yet been introduced. Additional details on this legislation will become available throughout the 2023 Legislative Session.

LFD COMMENT

This decision package is based on the executive forecast of the 95 mills, not the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2022. If HJ 2 values were used, the reduction in this decision package would need to be decreased by \$4,256,000 in FY 2024 and by \$521,000 in FY 2025.

The 95 mills			
Executive Estimate vs. Adopted HJ 2 Estimate - 2025 Biennium			
(\$ in millions)			
	FY 2024	FY 2025	Biennium Total
Executive Estimate	430.310	436.050	866.360
HJ 2 (as adopted by the Nov. 2022 RIC)	426.054	435.529	861.583
Difference	\$4.256	\$0.521	\$4.777

Legislative Options:

- Adjust the appropriation to bring the 95 mill transfer to the guarantee account in line with HJ 2
- Adopt the executive budget without changing the appropriation for the 95 mill transfer to the guarantee account